MASSACHUSETTS ASSOCIATION of HEALTH PLANS

February 6, 2009

Leslie Kirwan, Co-Chair, Special Commission on the Health Care Payment System
Secretary, Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02108

Sarah Iselin, Co-Chair, Special Commission on the Health Care Payment System
Commissioner, Division of Health Care Finance and Policy
2 Boylston Street, 5th Floor
Boston, MA 02116

Dear Secretary Kirwan and Commissioner Iselin:

On behalf of the Massachusetts Association of Health Plans (MAHP), which represents 12 health plans that provide coverage to 2.4 million Massachusetts residents, thank you for the opportunity to testify at today's Public Input Session. MAHP and its member health plans have been strong proponents of measures to reform the payment system, putting into practice many of the payment models the Commission is considering. Several MAHP member health plans are testifying on their experience with some of the approaches the Commission will examine.

Keeping health care affordable is the challenge facing all of us in the health care system. Reforming the payment system is an important component to reigning in the cost of health care as the bulk of the premium dollar – nearly 90 cents – pays for medical care and other services that directly benefit consumers. Premium rates have been rising largely because medical services have become increasingly more expensive. According to the Division of Insurance's September 2008 report, *Trends in Health Claims for Fully-Insured, Health Maintenance Organizations in Massachusetts*, between 2002 and 2006, the total cost for medical services increased by 55 percent per insured HMO member, which was attributed to significant annual increases in the cost of physician, hospital and pharmacy services.

Experts estimate that health care spending in Massachusetts rose 33 percent from $46.5 billion annually in 2002 to $62.1 billion annually in 2006. It is estimated that we spend $10,500 per person, one-third above the U.S. average. Despite the continued growth in health care costs, the system remains widely inconsistent and is not yielding the highest quality or safety. Today, only 55 percent of health care provided represents what the medical evidence says is the right thing to do, and the quality of care can vary tremendously from one facility to another and even within the same practice setting.

Many experts believe that we have enough money in the system. Ensuring the long-term success of the state's Health Care Reform Law and keeping health care affordable requires making better use of existing resources, including how and what we pay for health care. As the Commission undertakes its work, we would urge that any recommendations incorporate the following principles:

- **One size doesn't fit all**
  Reforming the payment system requires a transition away from the present model and should include interim steps before moving to a mix of payment methods that reward providers based on quality improvement and the appropriate use of resources. A varying range of

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options should be available so that they appropriately apply to payors and providers in the context of their organizational size and structure.

- **Promote the use of high value practitioners**
  Reforms should include measures that direct care to the most efficient and best performing providers and institutions, such as incentives and cost differentials to encourage consumers to utilize lower-cost providers where clinically appropriate.

- **Promote evidence-based care where available**
  Measures should include rewarding providers who follow best practices and meet care standards. Providers that correctly follow evidence-based care and best practice protocols should have a rebuttable presumption in medical malpractice cases. Evidence-based standards can also help determine the most appropriate use for new technology.

- **Reduce wide variation in physician pay**
  The emphasis should be placed on quality not quantity and primary care over specialty care. Re-align current payment methodologies to redistribute existing reimbursement levels so that high-quality performers, as measured by patient outcomes and member satisfaction, are rewarded, while lower performing providers are reimbursed relative to their performance.

- **Reduce unwarranted variation in care delivered**
  Efforts should include reforms that measure providers at both the institutional and individual physician levels. Reforms should also include incentives that help to foster and reward process improvement, such as better coordination in scheduling elective and surgical procedures to decrease ER overcrowding, measures to reduce unnecessary, duplicative diagnostic tests, and measures to prevent Never Events, avoidable admissions and readmissions, and medication errors.

- **Encourage and align incentives to promote team based care including coordination of care across settings**
  Foster an approach of integrating medical, behavioral health, and pharmacy services to ensure coordination across the continuum of care.

- **Promote financial accountability**
  Slow the rate of growth in the overall cost of health care to the general rate of inflation.

- **Reduce cost-shifting between public and private payers**
  Reimbursement rates for public programs should be sufficient to provide beneficiaries with a broad choice of coverage options and practitioners, as well as access to comprehensive, high-quality services. Adequate payments will take some pressure off the rest of the system and the state should develop a long-term plan to cover a fairer share of provider costs.

- **Minimize administrative complexity**
  Require providers and purchasers to exchange health care administrative transactions, including eligibility, claims, and payment and remittance advice, in electronic formats. Align measurement criteria utilizing national standards where available to decrease complexity and promote best practices.

- **Savings should result in lower health care costs**
  Reforming the payment system should result in lower costs for employers and consumers. Organizations achieving savings in the use of resources would share in a portion of those savings, provided that they are able to meet performance standards.

With regard to specific payment models, implementing many of the strategies being considered will take time as a vast majority of providers are not organized to adopt successfully many of these approaches and are largely comfortable with reimbursement on a fee-for-service basis. Changes to the payment system and different payment models first should be piloted and then examined to determine whether they can be implemented in such a manner that is sensible and scalable.

However, cost control efforts are needed in the short-term. The Commission should examine the feasibility of the Medicaid program readjusting its fee-for-service fee schedule to increase the rates paid to primary care physicians in a budget neutral manner to overall health care costs, so that greater emphasis is placed on primary care over specialty care. Further, the state should consider seeking a waiver from the Medicare fee schedule to allow for payments in a manner that provide incentives for primary care.

Additionally, the Health Care Quality and Cost Council should collect cost data from all payors – commercial, Medicaid and Medicare – to establish benchmark rates that would be used by all payors for evaluating the price of inpatient and outpatient services. Such an approach would allow for comparisons based on the type of payor and regional areas and would help to minimize the disparities between and among providers for various procedures. Establishing such benchmarks could help in understanding the factors contributing to those differences and would be useful as part of the hearings on health care costs that the Division of Health Care Finance and Policy will hold this year as required under Chapter 305 of the Acts of 2008.

In the face of the current economic crisis, cost control matters more than ever. Employers and individuals are grappling with rising health care costs. The downturn in the economy is deepening and its eventual impact is unknown. Reforming the payment system by emphasizing quality outcomes and financial accountability is one of many important steps needed if we are to improve the value and affordability of health care in Massachusetts.

We appreciate the opportunity to offer our comments. If you or members of your staff have any questions or need additional information, please do not hesitate to contact me at 617-338-2244.

Sincerely,

Marylou Buyse, M.D.

Marylou Buyse, MD
President